



The Comptroller General  
of the United States

Washington, D.C. 20548

## Decision

Matter of: Small Business Administration Questions about  
Funding of Small Business Development Centers

File: B-229873

Date: November 29, 1988

### DIGEST

Although the "bona fide needs" rule, 31 U.S.C. § 1502(a), applies to grants and cooperative agreements as well as procurement contracts, the Small Business Administration (SBA) did not violate the bona fide needs rule by making 1-year cooperative agreement awards to Small Business Development Centers (Centers) on September 30 of 1 fiscal year even though the cooperative agreement work was to be done in the next fiscal year. The SBA's bona fide need is to provide assistance to the Centers by entering into grants or cooperative agreements within the fiscal year sought to be charged. 64 Comp. Gen. 359 (1985) distinguished.

### DECISION

The Small Business Administration (SBA) asks several questions about application of the bona fide needs rule, 31 U.S.C. § 1502(a), to its funding of certain Small Business Development Centers' (Centers) cooperative agreements on September 30 of a fiscal year, notwithstanding the fact that the services provided by the Centers will be performed in the subsequent fiscal year. The answer is that the rule is not violated. The agency's bona fide need is to provide assistance to Centers by entering into grants or cooperative agreements within the fiscal year sought to be charged. In the assistance relationship considered here the dates on which the recipient of support in turn provides services to others is irrelevant for purposes of determining when a bona fide need arose. We will set forth the specific questions, agency positions where appropriate, and answers following the "Background" section. We also distinguish 64 Comp. Gen. 359 (1985).

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## BACKGROUND

The Small Business Development Center program began in 1977 as a pilot program pursuant to the SBA's general authority under the Small Business Act, as amended by Pub. L. No. 87-305, 75 Stat. 666, 668-69, to provide management and technical assistance to small businesses. In 1980, the Congress enacted legislation specifically authorizing the SBA to make grants (and contracts and cooperative agreements) to qualifying applicants, both public and private, to assist in establishing Small Business Development Centers for:

"small business oriented employment or natural resources development programs; studies, research, and counseling concerning the managing, financing, and operation of small business enterprises; delivery or distribution of such services and information; and providing access to business analysts who can refer small business concerns to available experts." Pub. L. No. 96-302, 94 Stat. 833, 843-44, codified at 15 U.S.C. § 648.

In implementing this authority, the SBA has established assistance funding relationships using cooperative agreements with colleges and universities and other non-federal entities in each of the 50 states to operate Centers and frequently one or more subcenters. The SBA uses cooperative agreements rather than grants because it believes the program involves substantial federal involvement between the SBA and the Centers. See 31 U.S.C. § 6305. The cooperative agreements are funded from the SBA's lump-sum salary and expense appropriation. Through fiscal year 1988, this appropriation had been a 1-year appropriation; that is, it had been available for obligation only during the fiscal year in which it had been appropriated. E.g., Pub. L. No. 99-180, 99 Stat. 1136, 1165-66, 1168. The fiscal year 1988 appropriation allows the amount appropriated for Centers' cooperative agreements to be obligated during fiscal year 1988 or 1989. Pub. L. No. 100-202, 101 Stat. 1329-34.

Once admitted into the program, the Centers have been awarded renewal cooperative agreements on an annual basis to continue and expand their operations in accordance with their state-wide or regional plans. During both the pilot program, which involved nine Centers, and the first year under the statutory program, the Centers were funded on cycles based on the date of entry of participants into the program. These dates often coincided with the beginning of the calendar year, rather than the fiscal year. Thus, many

Centers' funding cycles covered portions of more than 1 fiscal year.

In addition, in fiscal year 1980, the award to two Centers was made on September 30, to enable them to begin operations at the start of fiscal year 1981. The SBA informs us that this was done because fiscal year 1980 money was available and it was uncertain as to whether or to what extent fiscal year 1981 funds would be provided. Subsequently, this practice was continued for other Centers so that a substantial number of cooperative agreements with the Centers were awarded on September 30, the last day of a fiscal year.

In 1984, the Congress amended the program. Pub. L. No. 98-395, 98 Stat. 1366. Among other things, the amendment added language providing that the "terms of such [Center] grants shall be made on a calendar year basis or to coincide with the federal fiscal year." The House Committee which proposed the amendment found that approximately one-half of the Centers had agreements with the SBA which began and ended on a calendar year basis, rather than on the more usual fiscal year basis. By authorizing two funding cycles, new entrants could be funded closer to the time of approval of their applications. The term of the Center's agreement<sup>1/</sup> could then be set to coincide with either the calendar or fiscal year for future funding arrangements. H.R. Rep. No. 739, 98th Cong., 2d Sess. 18 (1984).

The SBA states that when the Congress amended the program in 1984, it was required to change its funding cycles for a substantial number of Centers. The SBA says the Congress was aware not only of the funding problem caused by the calendar year agreements but also of the September 30 fundings. As support the SBA relies on a letter of September 18, 1985 to the SBA Administrator from the Chairmen of the Senate and House Small Business Committees. The letter says:

"This goal of insuring a greater degree of uniformity in program administration and delivery of services to the small business community can be accomplished by clustering the contract terms within two or three or four days of the beginning of either the Federal fiscal year or the calendar year. It is not

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<sup>1/</sup> The House Report refers to the Center grants as contracts or grants. H.R. Rep. No. 739, 98th Cong., 2d Sess. 18 (1984). As mentioned previously, they are actually cooperative agreements.

necessary that every contract commence precisely on one of two dates."

The SBA understood this passage to mean it would be consistent with the Congress' intent if cooperative agreements were awarded within a few days before or after the first day of the fiscal year, and that the practice of funding some of the Centers as of September 30 was consistent with the amendment.

Nevertheless the SBA's Inspector General has questioned the propriety of funding agreements on September 30 using current fiscal year money, when all grant activities would be performed during the following fiscal year. He is concerned that this kind of funding violates the bona fide needs rule, 31 U.S.C. § 1502(a). The Administrator indicates that "the involved parties within SBA have been unable to reach agreement on this complex issue." He requests a decision on the question raised by the Inspector General.

#### Legal Discussion

1. Does the bona fide needs rule require, where a grant is made for services, that the funds obligated be of the same fiscal year as that in which the services will be rendered? Answer: No.

2. Is the application of the bona fide needs rule affected by the continuing relationship characteristic of the Center program? Answer: Not in this instance.

Without express statutory authority, no agency may obligate an appropriation made for the needs of a limited period of time, usually 1 year, for the needs of prior or subsequent years. This is a paraphrase of what we have termed "the bona fide needs rule" which is codified at 31 U.S.C. § 1502(a). This rule applies to all federal government funding activities carried out with appropriated funds, regardless of whether the funding mechanism used is a contract, grant, or cooperative agreement.<sup>2/</sup> However, in

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<sup>2/</sup> The Grant and Cooperative Agreement Act of 1977, 41 U.S.C. § 501 et. seq., requires the use of a procurement contract if the purpose of the appropriation is to fund the agency's acquisition of property or services for its own needs. If the purpose is to provide assistance to a non-federal entity through the transfer of money or anything else of value to accomplish a public purpose, the proper funding mechanism is a grant. If the above-described

order to determine compliance with the rule, we must first determine the purpose for which the appropriation was made, because the government's "bona fide need" is shaped by the purpose of the appropriation.

If the purpose is to enable an agency to procure specific supplies or other property for its own use, there is rarely a problem in determining compliance with the rule. It is only necessary to show that the articles were needed during the year or years for which the appropriation is available, and the contract or other commitment must actually have been made during that fiscal year or years, even if actual delivery takes place during a subsequent fiscal year.

The task of determining the proper fiscal year to charge for a contract for services is sometimes more difficult. As explained, infra, this is when the concept of severability and non-severability is most pertinent. If by the terms of the contract, services are to be performed at the request of the agency or at fixed intervals during a period that spans 2 or more fiscal years, 31 U.S.C. § 1502(a) would be violated to the extent that a prior year's funds were expended for services which, by their very nature, could not be considered to be a bona fide need of that prior year. See, for example, 60 Comp. Gen. 219 (1981). In a case with many parallels to the case in point, the SBA entered into an agreement late in fiscal year 1979 with a number of private organizations to provide management and consultation services to eligible small businesses at an agreed-upon hourly rate for 1 calendar year. The contract also provided that payment was to be made only for completed tasks, which were to be ordered by the contracting officer from time to time as he thought to be necessary. Since no services were ordered during fiscal year 1979, even though the contract was signed in fiscal year 1979, we refused to allow services actually ordered and provided in fiscal year 1980 to be charged to the fiscal year 1979 appropriation. These were clearly "severable" services. Id.

Contrast the above-described case with the Small Business Development Centers program in question. Both involve management and consultation services to be provided to small businesses. However, the purpose of the Small Business Development Centers appropriation is to fund an assistance program for non-federal entities which, in turn, are

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assistance relationship contemplates substantial involvement by the federal agency during the period of performance of the grant, the legal instrument to be used is a cooperative agreement.



expected to use the funds, together with some of their own, to fulfill a public purpose. Although the purpose of the program is to provide assistance to Centers for a 1-year period, it really does not matter when the Center begins or completes its tasks. The statutory purpose was fulfilled once a grant or cooperative agreement was awarded during the period of availability of the appropriation for obligation; in other words, the award constitutes the obligation, and upon award, the funds belong to the awardee. Thus, SBA's September 30 awards were just as permissible as its January 1 awards. The legislation amending the Centers program, which permitted Center awards to be made on a calendar or fiscal year basis, and accompanying legislative history indicate that the Congress was aware of the SBA's varied funding cycles and intended to provide the SBA some flexibility in when it could make its awards.

Our decision in 64 Comp. Gen. 359 (1985), in which we stated that the bona fide needs rule had been violated in a grant program by which the National Institutes of Health provided assistance to universities and other organizations for biomedical research, is distinguishable, since the issue being considered there was different. The statement of the question before us in 1985 is presented below in the words of the Chairman of the Subcommittee on Labor, Health and Human Services, Education, and Related Agencies, Senate Committee on Appropriations, in his request for a legal opinion on February 4, 1985:

"The FY 1985 NIH budget requests were presented and justified to Congress as supporting research projects for a period of one year (a long-standing funding practice for NIH research projects). Congress acted with the understanding that research projects would continue to be funded on that basis. By its subsequent decision to fund projects on a multiyear basis without seeking prior congressional approval, has the Executive Branch usurped congressional prerogatives and violated the intent of Congress?"

The Chairman was referring to the fact that the Congress had appropriated increased funds to enable NIH to continue its program of awarding new 1-year research grants and to continue the funding of other grants for an additional 1-year period. Instead, NIH chose to use the funds to make a large number of 3-year grants; that is, some grantees received support for 3 years' research efforts at one time, thus obviating the need to request refunding on a competitive basis, as had been customary. The 3-year funding plan also reduced the number of new research grants that could be awarded. Our decision that the bona fide needs rule had



# Federal Bar Association

Government Contracts Section  
Federal Grants Committee

**SIGNIFICANT DEVELOPMENTS IN FEDERAL GRANTS LAW IN THE PAST YEAR**  
National Grants Management Association Annual Training Conference  
Washington, D.C. May 2005

*The Grants Committee of the Federal Bar Association is pleased to provide conference attendees highlights in grants law from the past year. This document discusses several major cases that have arisen, and provides limited information about some other cases of potential interest to the Federal grants community. This document does not cover all grants-related cases, but provides an illustrative selection. The information provided does not constitute legal advice. Readers should consult source documentation or legal counsel to verify information about the specific cases mentioned. In addition, this information is intended to be factual, not viewpoint-oriented.*

*PART II This section covers a few other subjects and cases that may be of interest, and is contributed by Federal Bar Association members Jana Gagner and Edward Sharp. Eric Moll assisted with editing.*

***U.S. v. Harvard College***  
***323 F.Supp.2d 151 (D.Mass. 2004)***  
***June 28, 2004 Boston***

■The United States brought an action against Harvard and two employees involved in an Agency for International Development project to aid in reform of the Russian market system, alleging breach of a contractual provision barring project employees from conducting business and investment activities that could give rise to conflicts of interest, and violations of the False Claims Act.

■Among other things, the District Court held that the cooperative agreements between the government and the university were "contracts," and the university was liable for breaches of contract by personnel in one of its divisions, away in Russia.

■The court discussed the Federal Grant and Cooperative Agreement Act, and past cases on whether grants and cooperative agreements are "contracts." It agreed with Thermalon

*Industries v. United States*, 34 Fed. Cl. 411 (1995): just because a cooperative agreement is an assistance instrument, that does not mean it is not an enforceable contract.

■The court also discussed the relevance of the separate division in Russia serving as signatory on the cooperative agreement, and whether the staff there had authority to sign for the award. The court found that the division had adequate authority, and even if those staff were not designated or described as employees, that is immaterial if an employer-employee relationship exists.

***U.S. ex rel. Totten v. Bombardier Corp.***  
***380 F.3d 488 (C.A.D.C. 2004)***  
***August 27, 2004 District of Columbia***  
***rehearing en banc denied Dec. 8, 2004***

■In a False Claims Act case, an individual alleged that a contractor submitted false claims to Amtrak to obtain payment for allegedly defective railroad cars. In False Claims cases,

■While this case was remanded for further development of facts, it did note that the employee was not required to go to the Federal government to retain whistleblower protections, as internal complaints within a corporation may also count.

■The false claim allegation in this case relates to diverting funds from the non-profit grantee to for-profit information technology firms in which some of the non-profit executives had a stake.

■If the case is not settled, a later decision on the merits might raise issues regarding misappropriations of funds or conflicts of interest involving grantee contracts.

***Bill v. Berkeley United School Dist.*  
2004 WL 2075447 (N.D. Cal., 2004)  
Sept. 16, 2004 California**

■An African-American minister was assigned to develop and run a school program in Berkeley for at-risk youth who cut classes, funded under Federal and state grant programs designated to assist with special educational needs of African-American and Hispanic students. He allegedly discovered federal funds set aside for at-risk and minority youth were being spent on services for other students; he objected, and his position was eliminated due to a lack of funds. The position was later filled with a white male.

■A similar thing happened to him in his next position. This case was dismissed in part and remanded in part; if it is not settled, there is the possibility that a later decision on the merits may discuss the misappropriations of funds.

***U.S. Department of Education's Use of Fiscal Year Appropriations to Award Multiple Year Grants*  
U.S. General Accountability Office (GAO), B-289801, Dec. 30, 2002**

***■This is an older case that past FBA reports have discussed, but due to the need for greater education in the grants community about this issue, we repeat key points here.***

■This case re-interprets the bona fide need (BNR) rule towards grants, and how it differs from contracts.

■The BNR says that appropriations can only be used for agency needs in the period of availability of the funds.

■The severability rule says that funds from one fiscal year which fund an activity can be used in a subsequent fiscal year only if the work is non-severable.

*The opinion discusses two previous cases:*

■A 1985 decision (64 Comp. Gen. 359) prohibited National Institutes of Health research grants from being funded for 3 years from 1985 appropriations because the activities were severable. Funds could only be obligated for one year.

■A 1988 GAO decision (B-229873, November 29, 1988) undercut the analysis of the 1985 case and concluded that the Small Business Administration could use money from one fiscal year into the next; severability was not relevant to the cooperative agreement.

■In the 2002 case, GAO reaffirms the 1988 SBA decision with the rationale that grants are not the same as contracts. They are providing assistance, so that it isn't essential when the tasks are complete. The purpose is met when the award is made.

■So, the general rule for grants, in contrast to contracts, is:

■The principle of severability is irrelevant to a bona fide need determination;

■Bona fide need is met when funds are obligated within the period of availability.

■If an agency has a rule against awards running more than 12 months, this case would be a basis for changing that practice.

***The following cases were not included in materials presented at the NGMA February 10, 2005 training luncheon.***

***Pace v. Bogalusa City School Bd., 403 F.3d 272 (Fifth Cir. Mar. 8, 2005).***

In this case, a wheelchair-bound developmentally disabled high school student brought civil rights-related claims against a local school board and the state of Louisiana. Among other things, an Appeals Court held that the state waived its sovereign immunity in the case by accepting Federal grant funds. The case reviewed the Federal government's ability to impose restrictions on states through funding programs. This included significant discussion of major Supreme Court and other Federal cases on the constitutionality of imposing conditions on Federal grants.

***Boyes v. U.S. Dep't. of Energy, 2005 WL 607882, D.D.C. (Mar. 16, 2005).***

A person filed a request under the Freedom of Information Act, seeking a copy of a grant file and related materials from the U.S. Department of Energy. The request was granted in part and denied in part, based on FOIA exemptions 4 and 5. The case includes significant discussion regarding exemption of certain material from a grant file, particularly trade secrets, as the grant





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## U.S. Department of Education's Use of Fiscal Year Appropriations to Award Multiple Year Grants, B-289801, December 30, 2002



B-289801

December 30, 2002

The Honorable George Miller  
Ranking Minority Member  
Committee on Education and the Workforce  
House of Representatives

The Honorable David Obey  
Ranking Minority Member  
Committee on Appropriations  
House of Representatives

**Subject:** U.S. Department of Education's Use of Fiscal Year Appropriations to Award Multiple Year Grants

You asked for our opinion regarding the Department of Education's (Education) use of appropriations available for only one fiscal year to fund grant awards for multiple years for the Gaining Early Awareness and Readiness for Undergraduate Program (GEAR UP) and the Early Childhood Educator Professional Development Program. As you are aware, this question raises

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the issue of whether the bona fide need rule prohibits award of multiyear grants with fiscal year money.

For the reasons explained below, we conclude that (1) for grants, the principle of severability is irrelevant to a bona fide need determination, (2) a bona fide need analysis in the grant context focuses on whether the grants are made during the period of availability of the appropriation charged and further the authorized purposes of program legislation, (3) beginning in fiscal year 2002, Education's award of Early Childhood Educator program grants up to 4 years in duration is explicitly permitted by program authority and fulfills a bona fide need of the period for which the funds used are available, and (4) Education's award of 5-year GEAR UP grants during fiscal year 2001 and 2002 and 2-year Early Childhood Educator grants during fiscal year 2001 is in accordance with the program legislation and fulfills a bona fide need of the period for which the funds used are available.

## BACKGROUND

Education establishes policy for, administers, and coordinates most federal assistance to education in the United States. One of the ways Education accomplishes its mission is by making discretionary and formula-based grants. Concerns about Education's use of fiscal year funds to award grants that could cover more than one year arose initially in the context of the Gaining Early Awareness and Readiness for Undergraduate Program (hereinafter GEAR UP). After conversations with your staff about this issue, your staff asked that we address the issue not only in the context of GEAR UP but also for other grant programs. This opinion addresses GEAR UP and the Early Childhood Educator Program.

GEAR UP is a discretionary grant program[1] authorized by Title IV of the Higher Education Act of 1965 (HEA), as amended, 20 U.S.C. § 1070a -21 et seq. It seeks to increase the number of disadvantaged students that continue on to postsecondary education by providing early support services and assurances of financial assistance that enable students to prepare for and pursue a college education. The Early Childhood Educator Program, also a discretionary grant program, is authorized by Title II of the Elementary and Secondary Education Act of 1965 (ESEA), as amended, 20 U.S.C. § 6651(e). Its goal is to enhance the school readiness of young children, particularly disadvantaged children, through grants of financial assistance to improve the knowledge and skills of early childhood educators who work in communities with high concentrations of children who live in poverty.[2]

Congress has financed both programs with fiscal year appropriations. The GEAR UP program is funded from Education's lump sum "Higher Education" appropriation. Pub. L. No. 107-116,

115 Stat. 2206 (2002); Pub. L. No. 106-554, Appendix A, 114 Stat. 2763A-38 (2000).[3] The Early Childhood Educator Program is funded from Education's lump sum "School Improvement Programs" appropriation. Pub. L. 107-116, 115 Stat. 2202-03 (2002); Pub. L. No. 106-554, Appendix A, 114 Stat. 2763A-33-34 (2000).[4]

In the past, for GEAR UP, Education's practice was to award grants for one fiscal year at a time; that is, Education would impose a one-year term on the grantee's use of grant funds. Education, at its discretion, would award continuation grants for additional years, one year at a time for up to five years, out of appropriations of the fiscal year in which it made the continuation grant. In fiscal year 2001, Education changed its practice and began to award five-year GEAR UP grants, charging the full amount of the grant to its fiscal year 2001 appropriation. According to Appropriations Committee reports, this practice has resulted in funding GEAR UP grants in a manner different than Education had indicated in its budget justification for that fiscal year, and using up budget authority for GEAR UP grants more rapidly and for fewer grantees. See S. Rep. No. 107-84 at 329 (2001) and H. Rep. No. 107-229 at 164 (2001). For the Early Childhood Educator Program, Education reports that it awarded two-year grants in fiscal year 2001, the first year of grant competition under this program, with the full amount of the grant charged to that year's appropriation.

Pursuant to our standard practice, we asked Education for its views on its authority to make multiyear grants with fiscal year funding. Letter from Susan A. Poling, Associate General Counsel, GAO, to Brian W. Jones, General Counsel, U.S. Department of Education, February 28, 2002. Education responded that it had authority to issue multiyear grants with fiscal year funds because these two programs represent single nonseverable undertakings and are a bona fide need of the fiscal year appropriation. Letter from Brian W. Jones, General Counsel, U.S. Department of Education, to Susan A. Poling, Associate General Counsel, GAO, March 18, 2002.

#### ANALYSIS

The issue presented is whether Education can use appropriations available for only one fiscal year to fund multiyear grant awards for GEAR UP and the Early Childhood Education Program. To answer this question, we examine the bona fide need rule, the principle of severability in the grant context, the program legislation and applicable statutory language found in fiscal year 2001 and 2002 appropriations acts. We start our discussion with the bona fide need rule.

#### Bona Fide Need Rule

The bona fide need rule is a fundamental principle of appropriations law addressing the availability as to time of an agency's appropriation. 73 Comp. Gen. 77, 79 (1994); 64 Comp. Gen. 410, 414-15 (1985). The rule establishes that an appropriation is available for obligation only to fulfill a genuine or bona fide need of the period of availability for which it was made. [5] 73 Comp. Gen. 77, 79 (1994). It applies to all federal government activities carried out with appropriated funds, including contract, grant, and cooperative agreement transactions. [6] 73 Comp. Gen. 77, 78-79 (1994). An agency's compliance with the bona fide need rule is measured at the time the agency incurs an obligation, and depends on the purpose of the transaction and the nature of the obligation being entered into. 61 Comp. Gen. 184, 186 (1981) (bona fide need determination depends upon the facts and circumstances of the particular case). In the grant context, the obligation occurs at the time of award.[7] 31 Comp. Gen. 608 (1952). See also 31 U.S.C. § 1501(a)(5)(B).

#### The Bona Fide Need Rule and the Principle of Severability

In a number of contexts, but for our purposes here most notably government contracts for services, we have addressed whether the bona fide need rule is violated when an agency uses current fiscal year funds to pay for contractual services rendered subsequent to the end of that fiscal year. See, e.g., 65 Comp. Gen. 741 (1986) and 33 Comp. Gen. 90 (1953). In these instances, we evaluate the appropriateness of using current year funds to pay for such services by determining whether the services are part of a single undertaking that fulfills an agency need of the fiscal year charged, or whether the services are severable in nature and fulfill a recurring need of the agency from fiscal year to fiscal year. 71 Comp. Gen. 428 (1992), 23 Comp. Gen. 370 (1943); B-277165, January 10, 2000 and B-259274, May 22, 1996. When services are severable, the bona fide need rule serves to limit the amount of a service contract charged to an available fiscal year appropriation. In these cases, the rule ensures that fiscal year funds are only used for those services required to meet the needs of that fiscal year. 73 Comp. Gen. 77 (1994), 60 Comp. Gen. 219 (1981); B-235678, July 30, 1990.

In 64 Comp. Gen. 359 (1985), we were asked whether the Administration's plan to fund some National Institutes of Health (NIH) research project grants for three fiscal years with fiscal year 1985 appropriations violated the bona fide need rule. In our analysis we relied on our case law applying the bona fide need rule in the context of service contracts, stating that "where continuous and recurring services are needed on a year-to-year basis, contracts for the services are severable and must be charged to the fiscal year in which they are rendered." 64

Comp. Gen. 359, 364 (citing to 33 Comp. Gen. 90, 92 (1953)). We observed that the NIH grant program authorizing legislation reflected a government policy to stimulate certain kinds of research that would be needed year-after-year and that grants under the program would not typically contemplate a required outcome or product. *Id.* at 365. Since it could not be said that there was a need for an end product in any particular year or that the grant envisioned an end product, we concluded that the bona fide need rule was violated when funds were obligated for more than 1 year for these grants. *Id.*

This application of the severability concept to grants has not been without doubt. In the NIH decision, we expressed reservations concerning the application of the contract principle of severability to grants. Indeed, in our analysis, we expressly noted that the severability concept was not completely analogous to the NIH grants at issue in that decision which resembled subsidies rather than contracts for services. 64 Comp. Gen. 359, 365. Three years later, in B-229873, Nov. 29, 1988, we significantly undercut the analysis used in the NIH decision. In that opinion, we held that the Small Business Administration (SBA) did not violate the bona fide need rule when it used its fiscal year appropriation on September 30, the last day of the fiscal year, to award cooperative agreements to Small Business Development Centers even though the Centers would use the money in the next fiscal year. [8] *Id.* In effect, we concluded that the concept of severability was not relevant to the cooperative agreement at issue.

Our SBA decision significantly departed from the reasoning relied upon in the NIH case. It went further, and we think correctly so, by stating that the concept of severability is not relevant to grants or cooperative agreements, specifically, in that case, the SBA program. While this particular situation related to cooperative agreements, the distinction drawn for purposes of discussing the relevance of severability was between contracts and federal assistance programs (through grants or cooperative agreements). While we recognized that the bona fide need rule applies to grants and cooperative agreements as well as contracts, the application of the rule is shaped by the different types of purposes for which appropriations are available (e.g., contracts for goods or services or financial assistance like grants or cooperative agreements). *Id.* The purpose of the SBA program was to assist the Centers by providing financial assistance through grants or cooperative agreements within the fiscal year charged. In this context it really did not matter when the Centers began or completed their tasks since the statutory purpose was fulfilled once SBA awarded a grant or cooperative agreement during the period of availability of its appropriation. In other words, the award constitutes the obligation, and upon award, the agency's need--to financially assist the awardee--is complete. *Id.* It was for that reason that we advised SBA that the dates on which the Centers use the financial assistance is irrelevant for purposes of assessing the agency's bona fide need,



because the agency's bona fide need was to provide financial assistance through grants or cooperative agreements to the Centers in accordance with the program legislation.

We believe the application of the bona fide need rule found in the SBA case is the correct approach. It expressly recognizes the fundamental difference between a contract and a grant or cooperative agreement and the significance this difference has on a bona fide need analysis. Contracts and grants are transactions that fulfill significantly different needs of an agency, the former to acquire goods and services and the latter to provide financial assistance. B-222665, July 2, 1986 (principal purpose of a grant is to transfer something of value to the recipient to carry out a legislatively established public policy instead of acquiring goods or services for the direct benefit or use of the United States). See also 31 U.S.C. § 6303-4.

The SBA decision is also more in keeping with past decisions, where we have routinely permitted agencies to award grants using fiscal year funds irrespective of the fact that the funds would not be expended until some time after the end of the fiscal year. See, e.g., 31 Comp. Gen. 608 (1952) (fiscal year appropriations obligated upon the effective date of the grant agreement and remain available for expenditure for 2 years following the fiscal year for which appropriated even though underlying grantee contracts with their suppliers are not executed during the fiscal year for which the funds were appropriated); 20 Comp. Gen. 370 (1941) (fiscal year funds may be used to fund grants to States even though courses to be conducted under such grants will not be concluded until after the fiscal year ends); B-37609, Nov. 15, 1943 (agency may award grants extending over a 12-month period, thereby obligating fiscal year funds which will remain available until expended), B-24827, April 3, 1942 (funds legally obligated at the time of grant agreement may be made available for expenditure without regard to the fiscal year limitation of obligated appropriation). In these cases we did not use the fact that grantees would expend funds subsequent to the fiscal year as a basis for questioning the proper scope or duration of the grant award. Rather, we focused on whether the proposed grants were in accordance with the authority provided the agency and fulfilled a bona fide need of the period for which the funds used were available. But see 73 Comp. Gen. 77 (1994) (bona fide need determination in the context of a cooperative agreement properly required assessing severability of research activities where agreement under which research was conducted more closely resembled a contract than a grant of financial assistance).

## Early Childhood Educator Program for Fiscal Year 2002

When addressing compliance with the bona fide need rule for grants or cooperative agreements, the primary focus must be on the authority provided the agency. We now turn to

the program legislation and the appropriation act for the Early Childhood Educator Program for Fiscal Year 2002. The permanent program authority enacted in fiscal year 2002 states that "[t]he [Department] shall award grants . . . for periods of not more than 4 years." 20 U.S.C. § 6651(e)(2)(B)(i). Although this language explicitly permits Education to award 4-year grants using fiscal year funds, it is restricted by the program's fiscal year 2002 appropriation which limits the duration or term of some of the grant funds available. The "School Improvement Programs" appropriation for 2002 that funds the Early Childhood Educator grant program provided three separate sums, one of which was an advance appropriation<sup>[9]</sup> available to fund grants only for one academic year: "... and of which \$1,765,000,000 shall become available on October 1, 2002, and shall remain available through September 30, 2003, for academic year 2002-2003."

Using the advance appropriation funds, Education is only permitted to award Early Childhood Educator grants for a period encompassing the academic year 2002-2003. To conclude otherwise would be to ignore the phrase "for academic year 2002-2003." The phrase is not necessary to establish the period of availability of the appropriation for obligation by Education, since that is already expressly addressed – October 1, 2002 through September 30, 2003. Therefore, to give meaning to Congress' words, we interpret the phrase "for academic year 2002-2003" to limit the time period of the grants funded by the appropriation.

This limitation does not apply to all sums appropriated, only the amounts of the advance appropriations. Therefore, Education can use funds provided in the fiscal year 2002 appropriation that are not so limited to award grants up to 4 years in duration. Upon using these funds to award grants of up to 4 years in duration, Education has fulfilled its bona fide need to provide financial assistance in the form of grants as prescribed by the program legislation. Assuming that Education made the grant awards during the period of availability of the funds to be used, Education's grant awards are in compliance with the bona fide need rule. <sup>[10]</sup>

#### GEAR UP and Early Childhood Educator Program for Fiscal Year 2001

The program authorizations for the GEAR UP Program and the Early Childhood Educator Program for fiscal year 2001 do not provide explicit authority to award multiple year grants. 20 U.S.C. § 1070a-21 et seq. and Pub. L. No. 106-554, Appendix A, 114 Stat. 2763A-33-34. However, as discussed below, we find that Education's award of multiple year grants is in accordance with the authority provided Education under both programs.

While the GEAR UP program legislation is silent as to the duration of the grants that Education

is authorized to award, the program seeks to ensure that students who have received services under GEAR UP (or its predecessor program) continue to receive GEAR UP services through the 12th grade. Under the program legislation, Education is to require partnership grantees to provide services under a so-called cohort approach, meaning they are to serve at least one grade level of students (beginning not later than 7th grade) in participating schools through the 12th grade. 20 U.S.C. § 1070a-22(g)(1)(A). Also, the program legislation requires Education, in making grants to states, to ensure that students who received services under the grant program preceding GEAR UP continue to receive assistance through their completion of high school. 20 U.S.C. § 1070a-21(b)(2)(B). The legislation further requires Education, in making grant awards, to give priority to funding states that provided services to students under the program preceding GEAR UP. 20 U.S.C. § 1070a-22(a)(1).

In our opinion, Education's award of 5-year grants is both consistent with program objectives and within its discretion under the program legislation. Under the program legislation, Education is not merely required to provide financial assistance, it is to ensure through various ways that students who have received services under the GEAR UP program continue to receive those services from year-to-year until completion of high school. Awarding grants 5 years in duration will aid in ensuring the continuity of grantee services to GEAR UP students which the programs legislation seeks to provide. Therefore, Education is fulfilling its bona fide need under this program when it awards these 5-year grants.

The initial authorization of the Early Childhood Educator Program pursuant to the fiscal year 2001 appropriation does not speak to the duration of grants to be awarded, unlike the program authorization passed in fiscal year 2002, discussed above. For fiscal year 2001, a proviso in Education's "School Improvement Programs" appropriation authorized these grants:

"Provided further, That of the amount made available under this heading for national activities under section 2102 of the Elementary and Secondary Education Act of 1965, the Secretary is authorized to use a portion of such funds to carry out activities to improve the knowledge and skills of early childhood educators and caregivers who work in urban or rural communities with high concentrations of young children living in poverty." Pub. L. No. 106-554, Appendix A, 114 Stat. 2763A-33-34. This language does not establish any program requirements beyond setting forth the basic objective for using the funds. As such, this legislation reposed broad discretion in Education in making grants and in our view the decision to award 2-year grants is within that discretion.

Education's discretionary authority under these programs was not limited by funding legislation. We did not identify any limitations in either the fiscal year 2001 or 2002 "Higher

Education" appropriation used to fund GEAR UP grants that would limit the length of grant awards made out of such funds. Nor did we identify any limitation with regard to Early Childhood Educator Program grants awarded in fiscal year 2001. Like the fiscal year 2002 appropriation that we discussed earlier, the fiscal year 2001 "School Improvement Programs" appropriation contained a variety of appropriated amounts, including fiscal year funds, forward funds<sup>[11]</sup> (available July 1, 2001 through September 30, 2002), and an advance appropriation available only for one year.<sup>[12]</sup> Education awarded the 2-year Early Childhood Educator grants out of the funds available during fiscal year 2001, not the advance appropriation, and those funds were not limited unlike the advance appropriation, as discussed earlier with regard to the fiscal year 2002 appropriation. Upon using these funds to award the 2-year grants, Education fulfilled its bona fide need to provide financial assistance under the broad grant of discretion provided.

In summary, Education's award of multiple year grants under the GEAR UP and Early Childhood Educator programs is in accordance with program authorization and to the extent that Education awards these grants during the period of availability of the appropriations made for such purpose, such awards comply with the bona fide need rule.<sup>[13]</sup>

#### CONCLUSION

We conclude that (1) for grants, the principle of severability is irrelevant to a bona fide need determination, (2) a bona fide need analysis in the grant context focuses on whether the grants are made during the period of availability of the appropriation charged and further the authorized purposes of program legislation, (3) beginning in fiscal year 2002, Education's award of Early Childhood Educator program grants up to 4 years in duration is explicitly permitted by program authority and fulfills a bona fide need of the period for which the funds used are available, and (4) Education's award of 5-year GEAR UP grants during fiscal year 2001 and 2002 and 2-year Early Childhood Educator grants during fiscal year 2001 is in accordance with the program legislation and fulfills a bona fide need of the period for which the funds used are available.

Should you have any questions, please contact Susan A. Poling at (202) 512-2667. We are sending copies of this letter to the Secretary of Education and other interested congressional committees. The letter will also be available on GAO's home page at <http://www.gao.gov>.

Anthony H. Gamboa

General Counsel

[1] A discretionary grant is one that permits Education to use judgment in selecting applications for funding. 34 C.F.R. § 75.200(b)(1). Grants through these programs are competitively awarded (as opposed to noncompetitive, formula grant programs). 34 C.F.R. §§ 75.200(b) and (c) (2001).

[2] The Early Childhood Educator Program became an authorized program under ESEA pursuant to the No Child Left Behind Act of 2001 (NCLB Act). Pub. L. No. 107-110, 115 Stat. 1425, 1635-41 (January 8, 2002). Education initiated the program the year before pursuant to funding provided for such activities in the Department of Education's Appropriations Act. Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2001, Pub. L. No. 106-554, Appendix A, 114 Stat. 2763A-33-34 (2000).

[3] According to the conference reports, the conferees agreed to a level of funding for GEAR UP at \$285,000,000 for fiscal year 2002 (H.R. Rep. No. 107-342, at 217, December 19, 2001) and \$295,000,000 for fiscal year 2001 (H.R. Rep. No. 106-1033, at 202, December 15, 2000).

[4] According to the conference reports, the conferees included \$15,000,000 for the Early Childhood Educator Program for fiscal year 2002 (H.R. Rep. No. 107-342, at 122, December 19, 2001) and \$10,000,000 for fiscal year 2001 (H.R. Rep. No. 106-1033, at 182, December 15, 2000).

[5] The rule has its statutory roots in 31 U.S.C. § 1502(a), which provides: "The balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability."

[6] The Grant and Cooperative Agreement Act of 1977, 31 U.S.C. §§ 6301-6308, requires the use of a procurement contract if the purpose of the transaction is to fund the agency's acquisition of property or services for its own needs. 31 U.S.C. § 6303. If the purpose is to provide assistance to a non-federal entity through the transfer of money or anything else of value to accomplish a public purpose, the proper funding mechanism is a grant. 31 U.S.C. § 6304. If the assistance resembles a grant and substantial involvement is expected between the agency and the recipient when carrying out the contemplated activity, the proper funding mechanism is a cooperative agreement. 31 U.S.C. § 6305.



[7] The particular obligating document may vary, and may even be in the form of an agency's approval of a grant application or a letter of commitment. See 39 Comp. Gen. 317 (1959); 37 Comp. Gen. 861, 863 (1958).

[8] Congress had specifically authorized the SBA to make grants and cooperative agreements to qualifying applicants, to assist in establishing Small Business Development Centers for small business oriented employment or natural resources development programs, studies, research, and counseling. The SBA authorizing statute explicitly limits the term of the SBA grants to a calendar year or a Federal fiscal year. 15 U.S.C. § 648(a)(1).

[9] An advance appropriation is budget authority provided in an appropriation act which is first available in a fiscal year beyond the fiscal year for which the appropriation act is enacted.

GAO/AFMD-2.1.1. Budget Glossary (exposure draft dated January 1993), at 11.

[10] While this program legislation provides Education with the authority to award 4-year grants, it does not require Education to do so. In other words, consistent with the program legislation Education may choose to fund these grants one year at a time.

[11] Forward funding is budget authority that is available for a specified period of time, generally in excess of one fiscal year, which may cover periods that do not coincide with the start or end of a fiscal year. GAO/AFMD-2.1.1. Budget Glossary (exposure draft dated January 1993), at 23.

[12] The advance appropriation was not available until the start of fiscal year 2002, and was available only for grants for the academic year 2001-2002: "... and of which \$1,765,000,000 shall become available on October 1, 2001 and shall remain available through September 30, 2002 for academic year 2001-2002." (Emphasis added.) However, the availability of the forward funding amount was not limited: "... of which \$2,403,750,000 shall become available on July 1, 2001, and remain available through September 30, 2002." [13] As noted with regard to the Early Childhood Educator grants for fiscal year 2002, while Education is permitted to make multiple year grants the program authorization here would also permit it to fund these grants one year at a time.

## 2. Changes in Grants—Replacement Grants vs. New Obligations

### a. The Replacement Grant Concept

Changes in grants may come about for a variety of reasons—the original grantee may be unable to perform, the grant amount may be increased, there may be a redefinition of objectives, etc. If the change occurs in the same fiscal year (or longer period if a multiple-year appropriation is involved) in which the original grant was made, there is no obligation problem as long as the amount of the appropriation is not exceeded. If, however, the change occurs in a later fiscal year, the question becomes whether the amended grant remains chargeable to the appropriation initially obligated or whether it constitutes a new obligation chargeable to appropriations current at the time the change is made.

As a general proposition, a grant amendment which changes the scope of the grant or which makes the award to an entirely different grantee (not a successor to the original grantee), and which is executed after the appropriation under which the original grant was made has ceased to be available for obligation, may not be charged to the original appropriation. E.g., 58 Comp. Gen. 676 (1979). If the amendment amounts to a substitute grant, it extinguishes the old obligation and creates a new one. The new obligation is chargeable to the appropriation available at the time the new obligation is created. There are also situations where a grant amendment creates a new obligation chargeable to the later appropriation without extinguishing the original obligation. In either event, if the grantor agency does not recognize that the change creates a new obligation when the change is made, there is a potential Antideficiency Act violation. On the other hand, a change which qualifies as a "replacement grant" remains chargeable to the original appropriation. Of course, an agency with the requisite program authority can change the scope of a grant if current appropriations are used. 60 Comp. Gen. 540 (1981).

The clearest example of a change that creates a new obligation is where the amount of the award is increased. If the grantee has no legal right stemming from the original grant agreement to compel execution of the amendment, the increase in amount is a new obligation chargeable to appropriations current when the change is made. 41 Comp. Gen. 134 (1961); 39 Comp. Gen. 296 (1959); 37 Comp. Gen. 851 (1958). However, an upward adjustment in a

"provisional indirect cost rate" contained in a grant award, which contemplated a possible increase in the indirect cost rate at a later date, does not constitute an additional or new award. Payments resulting from such an adjustment are chargeable to the appropriation originally obligated by the grant. 48 Comp. Gen. 186 (1968).

Where a change involves some other aspect of the grant, it is necessary to determine whether the change, viewed as a whole, will create a new and separate undertaking or will enlarge the scope of the grant, thereby creating a new obligation. As pointed out in 58 Comp. Gen. 676, 680 (1979), the cases have identified three closely related areas of concern that must be satisfied before a change may be viewed as a "replacement grant" and not as creating a new obligation:

- (1) The bona fide need for the grant project must continue;
- (2) The purpose of the grant from the government's standpoint must remain the same; and
- (3) The revised grant must have the same scope.

The "scope" of a grant, as stated in 58 Comp. Gen. at 681:

"grows out of the grant purposes. These purposes must be referred to in order to identify those aspects of a grant that make up the substantial and material features of a particular grant which in turn fix the scope of the Government's obligation."

#### b. Substitution of Grantee

As a general rule, when a recipient of a grant is unable to implement the grant as originally contemplated, and an alternative grantee is designated subsequent to the expiration of the period of availability for obligation of the grant funds, the award to the alternative grantee must be treated as a new obligation and is not properly chargeable to the appropriation current at the time the original grant was made. B-164031(5), June 25, 1976; B-114876/A-44014, January 21, 1960.

However, it is possible in certain situations to make an award to an alternative grantee after expiration of the period of availability for obligation where the alternative award amounts to a "replacement grant" and is substantially identical in scope and purpose to the original grant. 57 Comp. Gen. 205 (1978); B-157179, September 30, 1970. In the latter decision, the Comptroller General did not object to the use of unexpended grant funds originally awarded to the



University of Wisconsin to engage Northwestern University in a new fiscal year to complete the unfinished project. Approval was granted because the project director had transferred from the University of Wisconsin to Northwestern University and he was viewed by all the parties as the only person capable of completing the work. The decision also noted that the original grant was made in response to bona fide need then existing, and that the need for completing the project continued to exist.

GAO has also indicated that it might be possible in certain situations develop procedures to designate an alternate grantee at the time an award is made to the principal grantee, provided that all of the criteria for selection of the principal and required administrative action are also met concerning the alternate, with the sole exception that the award to the alternate is not mailed to it pending a determination as to whether the principal actually complies with the terms of the award. The validity of any such procedure would have to be assessed on a case-by-case basis. B-114876, July 29, 1960; B-114876, March 15, 1960.

### c. Other Changes

A shift in the community to be served by the grant has been held to constitute a new obligation. Thus, in B-164031(5), June 25, 1976, the original grantee ran into financial difficulties and was unable to utilize a hospital modernization award under the Hill-Burton program. The Comptroller General found that a proposal to shift the award to another hospital would constitute a new undertaking rather than a replacement grant since the hospitals were over 100 miles apart and served essentially different communities.

An enlargement of the community to be served will not necessarily constitute a new obligation. The grant in 58 Comp. Gen. 676 (1979) was to set up a demonstration community service volunteer program. The grant defined the number of participants deemed necessary to generate the desired test results. The geographic site for which the grant was awarded was expected to produce the necessary number of volunteers, but did not. It was held that the geographical area could be expanded to produce the desired number of volunteers. The modification in these circumstances would not constitute a new and separate undertaking and could be funded from the appropriation originally obligated.

A change in the research objectives of a grant will constitute a new obligation notwithstanding that some aspects of the original grant and the modification may be related. 57 Comp. Gen. 459 (1978). See also 39 Comp. Gen. 296 (1959).

A 1969 decision involved amendments by the National Institute of Mental Health which would change the use of grant funds from construction to renovation and vice-versa beyond the period of obligational availability. Since the amendments met the statutory eligibility criteria, since they would still accomplish the original grant objectives, and since they involved neither a change in grantees nor an increase in amount, they were held permissible under the original obligations. B-74254, September 3, 1969.

## G. Grant Costs

### 1. Allowable vs. Unallowable Costs

#### a. The Concept of Allowable Costs

Recipients of assistance awards are expected to use the assistance funds for the purposes for which they were awarded, subject to any conditions that may attach to the award. Expenditures or costs that meet the grant purposes and conditions are termed "allowable costs." An expenditure which is not for grant purposes or is contrary to a condition of the grant is not an allowable cost and may not be properly charged to the grant.

Where a cost is not allowable, as far as the government is concerned the recipient still has the funds. If the grant funds have already been paid over to the grantee and no allowable costs of an equal amount are subsequently incurred, the recipient is required to return the amount of the improper charge to the government. E.g., Utah State Board for Vocational Education v. United States, 287 F.2d 713 (10th Cir. 1961). The United States "has a reversionary interest in the unencumbered balances of such grants, including any funds improperly applied." 42 Comp. Gen. 289, 294 (1962). See also B-198493, July 7, 1980. This requirement cannot be waived. B-171019, June 3, 1975. Thus, the Comptroller General has held that an agency cannot waive its statutory regulations to relieve a grantee of its liability for improper expenditures. B-163922, February 10, 1978.



If the facts of the matter can satisfy the below three-part test, the instrument would constitute a "replacement grant" and, as such, the originally obligated FY funds can be used. As stated by the Comptroller General:

Three closely related areas of concern must be satisfied before a change may be viewed as a "replacement grant" and, not as creating a new obligation:

- (1) The bona fide need for the grant project must continue;
- (2) The purpose of the grant from the government's standpoint must remain the same; and
- (3) The revised grant must have the same scope.

I have also included below for your general information the GAO Red Book's discussion of the replacement grant concept.)

GAO, Principles of Federal Appropriations Law (The "Red Book")  
Chapter 10 - Federal Assistance Grants and Cooperative Agreements  
Part F - Obligation of Appropriations for Grants

## 2. Changes in Grants - Replacement Grants vs. New Obligations

### a. The Replacement Grant Concept

Changes in grants may come about for a variety of reasons - the original grantee may be unable to perform, the grant amount may be increased, there may be a redefinition of objectives, etc. If the change occurs in the same fiscal year (or longer period if a multiple-year appropriation is involved) in which the original grant was made, there is no obligation problem as long as the amount of the appropriation is not exceeded. If, however, the change occurs in a later fiscal year, the question becomes whether the amended grant remains chargeable to the appropriation initially obligated or whether it constitutes a new obligation chargeable to appropriations current at the time the change is made.

As a general proposition, a grant amendment which changes the scope of the grant or which makes the award to an entirely different grantee (not a successor to the original grantee), and which is executed after the appropriation under which the original grant was made has ceased to be available for obligation, may not be charged to the original appropriation. If the amendment amounts to a substitute grant, it extinguishes the old obligation and creates a new one. The new obligation is chargeable to the appropriation available at the time the new obligation is created. There are also situations where a grant amendment creates a new obligation chargeable to the later appropriation without extinguishing the original obligation. In either event, if the grantor agency does not recognize that the change creates a new obligation when the change is made, there is a potential Antideficiency Act violation. On the other hand, a change which qualifies as a "replacement

grant" remains chargeable to the original appropriation. Of course, an agency with the requisite program authority can change the scope of a grant if current appropriations are used.

The clearest example of a change that creates a new obligation is where the amount of the award is increased. If the grantee has no legal right stemming from the original grant agreement to compel execution of the amendment, the increase in amount is a new obligation chargeable to appropriations current when the change is made. However, an upward adjustment in a "provisional indirect cost rate" contained in a grant award, which contemplated a possible increase in the indirect cost rate at a later date, does not constitute an additional or new award. Payments resulting from such an adjustment are chargeable to the appropriation originally obligated by the grant.

Where a change involves some other aspect of the grant, it is necessary to determine whether the change, viewed as a whole, will create a new and separate undertaking or will enlarge the scope of the grant, thereby creating a new obligation. As pointed out in 58 Comp. Gen. 676, 680 (1979), the chases have identified three closely related areas of concern that must be satisfied before a change may be viewed as a "replacement grant" and not creating a new obligation:

- 1) The bona fide need for the grant project must continue;
- 2) The purpose of the grant from the government's standpoint must remain the same, and
- 3) The revised grant must have the same scope.

The "scope" of a grant, as stated in 58 Comp., Gen. at 681: "grows out of the grant purposes. These purposes must be referred to in order to identify those aspects of a grant that make up the substantial and material features of a particular grant which in turn fix the scope of the Government's obligation."

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## **AWARD CLOSEOUT**

The Grant/ Cooperative Agreement (award) closeout is the process by which the Department determines that all applicable administrative actions and all required work have been completed. Awards are closed upon receipt of the final financial and performance report, and after determination that all administrative requirements have been met.

Reference materials include:

- 4 FAH-3 H-680
- OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments
- OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations

The recipient is required to submit all financial, performance and other reports within 90 calendar days after the date of completion of the award. Additionally, unless a no-cost extension have been authorized, all obligations incurred under the award must be liquidated not later than 90 calendar days after the funding period or the date of completion. However, prior to accepting the final financial report, all discrepancies must be reconciled, including a determination that the recipient has used final negotiated indirect cost rates in calculating final grant costs and also ensuring that the recipient has met required cost sharing.

After the final reports have been received, prompt payments to the recipient for outstanding allowable costs must be made. In turn, the recipient is to promptly refund any excess balances of unobligated cash that was advanced or paid. These funds are not authorized to be retained or used for other projects.

Once all of the required documentation have been received, the unliquidated balance of funds from the Department's accounting records must be deobligated and the recipient provided with proper instructions on the disposition of any equipment or furniture acquired under the grant award.

- The Bureau shall make prompt payments to a recipient for allowable reimbursable costs under the award.
- The Bureau shall ensure the recipient promptly refund any balances of unobligated cash that the Bureau has advanced or paid that is not authorized to be retained by the recipient.
- The Bureau shall ensure that the recipient has met proposed or required cost sharing.



- The Bureau shall ensure that the recipient has submitted the final performance report, final Financial Status Report (269), submitted an inventory of federally-owned property received under the grant (where applicable), submitted an inventory of grant-purchased property requesting disposal or transfer as appropriate, and reported program income in accordance with the award requirements.
- The Bureau shall deobligate the unliquidated balance of funds from the accounting records.
- The Bureau shall provide the recipient with proper instructions on the disposition of any equipment or furniture acquired with Government funds.
- The Bureau shall notify other Federal agencies involved in the grant of closeout action
- The Bureau shall prepare a brief written evaluation of the recipient's performance and place a copy in the grant file.
- The Bureau shall retain the grant fiscal file for 6 years in accordance with DOS Records Disposition Schedules, Chapter 05: Finance and Management Policy (FMP) Records. Miscellaneous Voucher Examination A-05-010-02 Grantee Fiscal Files, including SF-1166a and related documents.

- (1) Request PMS balance printout;
- (2) Compare final amount expended/remaining balance on financial report with PMS print out. These amounts must equal exactly (no rounding). If these amounts do not equal, instruct the grantee to either return excess funds or make a final draw down as necessary; and
- (3) Compare the amount the grantee has drawn against what it has reported spending on the most recent Form SF-272, *Federal Cash Transactions Report*. If these figures do not equal one another, the grantee will need to be contacted and instructed to make the necessary adjustments

**4 FAH-3 H-683 THROUGH 4 FAH-3 H-689 UNASSIGNED.**



#### **4 FAH-3 H-680 CLOSEOUT**

**(TL:FMP-13; 09-06-2002)**

#### **4 FAH-3 H-681 GENERAL**

**(TL:FMP-13; 09-06-2002)**

Grant closeout is the process by which the Department determines that all applicable administrative actions and all required work of the grant have been completed. Grants will be closed upon receipt of the final financial and performance report, and after determination that any other administrative requirements in the grant instrument have been met. In the event a final audit has not been performed prior to the closeout of the grant, the bureau reserves the right to recover appropriate amounts after fully considering the recommendations on disallowed costs resulting from the final audit.

#### **4 FAH-3 H-682 PROCEDURES**

**(TL:FMP-13; 09-06-2002)**

- a. The bureaus shall require the recipient to submit, within 90 calendar days after the date of completion of the award, all financial, performance and other reports as required by the terms and conditions of the award. The Department may approve extensions when requested by the recipient.
- b. Unless the bureau authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion.
- c. The bureau shall make prompt payments to a recipient for allowable reimbursable costs under the award being closed out.
- d. The bureau shall require the recipient to promptly refund any balances of unobligated cash that the Bureau has advanced or paid that is not authorized to be retained by the recipient for use in other projects.
- e. Prior to acceptance of the final financial report, all discrepancies shall be reconciled and a copy shall be forwarded to the program office for review or comment.
- f. The bureau shall ensure the recipient has met proposed or required cost sharing.
- g. The bureau shall deobligate the unliquidated balance of funds from the accounting records.
- h. The bureau shall provide the recipient with proper instructions on the disposition of any equipment or furniture acquired with U.S. Government funds as stipulated in the appropriate OMB Circular.
- i. Additionally, when closing a PMS grant the following action shall be taken:

# OMB Circular A-110 Uniform Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations

## SUBPART D - AFTER-THE-AWARD REQUIREMENTS

\_\_\_\_.71 Closeout procedures.

(a) Recipients shall submit, within 90 calendar days after the date of completion of the award, all financial, performance, and other reports as required by the terms and conditions of the award. The Federal awarding agency may approve extensions when requested by the recipient.

(b) Unless the Federal awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions.

(c) The Federal awarding agency shall make prompt payments to a recipient for allowable reimbursable costs under the award being closed out.

(d) The recipient shall promptly refund any balances of unobligated cash that the Federal awarding agency has advanced or paid and that is not authorized to be retained by the recipient for use in other projects. OMB Circular A-129 governs unreturned amounts that become delinquent debts.

(e) When authorized by the terms and conditions of the award, the Federal awarding agency shall make a settlement for any upward or downward adjustments to the Federal share of costs after closeout reports are received.

(f) The recipient shall account for any real and personal property acquired with Federal funds or received from the Federal Government in accordance with Sections \_\_\_\_31 through \_\_\_\_37.

(g) In the event a final audit has not been performed prior to the closeout of an award, the Federal awarding agency shall retain the right to recover an appropriate amount after fully considering the recommendations on disallowed costs resulting from the final audit.

# **OMB Circular A-102, "Grants and Cooperative Agreements with State and Local Governments"**

## **3. After-the-grant Policies.**

- a. **Closeout.** Federal agencies shall notify grantees in writing before the end of the grant period of final reports that shall be due, the dates by which they must be received, and where they must be submitted. Copies of any required forms and instructions for their completion shall be included with this notification. The Federal actions that must precede closeout are:

- (1) Receipt of all required reports,
- (2) Disposition or recovery of federally-owned assets (as distinct from property acquired under the grant), and
- (3) Adjustment of the award amount and the amount of Federal cash paid the recipient.

- b. **Annual Reconciliation of Continuing Assistance Awards.** Federal agencies shall reconcile continuing awards at least annually and evaluate program performance and financial reports.

Items to be reviewed include:

- (1) A comparison of the recipient's work plan to its progress reports and project outputs,
- (2) the Financial Status Report (SF-269),
- (3) Request(s) for payment,
- (4) Compliance with any matching, level of effort or maintenance of effort requirement, and
- (5) A review of federally-owned property (as distinct from property acquired under the grant).



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**Intranet Sites**

SMART Messaging

FAM/FAH &amp; Forms

Dept. Notices/Phonebooks

Post Reports

**Internet Sites**

FOIA

InfoAccess Site Search

[go](#)

Contact IPS

**Domestic Records Disposition  
Schedules****Chapter 05: Finance and Management Policy (FMP)  
Records****Miscellaneous Voucher Examination****A-05-010-02****Grantee Fiscal File, including SF-1166a  
and related documents****Description:****Disposition:**Destroy 6 years and months after final  
payment.**DispAuthNo:**

GRS 6, item 1a

Best viewed at 800 x 600 screen resolution or higher.  
This site is Section 508 compliant.

Exec: 2.630084E+07 ms.

## **CFMS**

When reviewing CFMS the following reports should be pulled and printed:

- **OBLT – Purchase Order Accounting Line Inquiry Table**
- **OBLH – Orders Header Inquiry Table**
- **DXRF – Document Cross Reference Inquiry Table**

### **1. OBLT Review:**

- Does the Description match the award?
- Is the Bureau Code correct?
- Is the Allotment code correct?
- Is the Function code correct?

### **2. OBLH Review:**

- Does the Ordered Amount match the total award amount?
- Is the Closed Amount correct? Does the recipient owe DOS a refund? Does DOS owe the recipient a refund
- Does the Ordered Amount, Closed Amount and Expended Amount match?

### **3. DXRF Review:**

- Do the payments reflected match the PMS report?
- Do the payments reflected match the SF 270?



**Suggested Procedure for Review of SF 269/269A  
Financial Status Report**

<u>Acceptance Criteria</u>	<b>Review Guidance</b>
1. Timeliness	If required semiannually or quarterly, the report is due 30 days after the end of the reporting period.
	If required annually, the report is due 90 days after the reporting period ends.
	If it is a final report, it is due 90 days after the reporting period ends.
	If the report is not submitted on time, send a delinquency letter to the recipient.
2. Completeness	The form should always be signed and dated by an authorized official of the recipient.
	If any block lacks information, notify the recipient and request a corrected submission.
3. Accuracy	The grant number in Block 2 should be the same as the number in the approved grant agreement.
	The amounts entered in column I of Block 10 will normally be the same as those in column III of the previous report in the same funding period.
	If this is the first or only report of the funding period, columns I and II in Block 10 should be blank.
	Total gross program outlays on line 10a should include disbursements of cash realized as program income if that income is also shown on line 10c or 10g. They should not include program income shown on line 10r or 10s.
	The amount listed on line 10b should be a reduction of expenditure and not program income.
	The amount of program income on line 10c is used in accordance with the deduction alternate and should be different than the amount of program income on lines 10q, 10r, and 10s.
	If program income is included on the form, but is not included in the grant budget of the approved grant agreement, notify the recipient and ask for an explanation. Also, if the amount of program income on the form is significantly different than that which is in the approved budget, notify the recipient and seek an explanation.
	The indirect cost rate shown on line 11b should be the one in the approved grant award.
	Line 10d (Net outlays) should equal line 10a (Total Outlays) minus the sum of lines 10b (Refunds, rebates, etc.) and 10c (program income used in accordance with the deduction alternate).
	Line 10j (federal share of net outlays) should be equal to line 10d (net outlays) less line 10i (total recipient share of net outlays).
	Line 10n (total federal share) should equal the sum of lines 10j (federal share of net outlays) and 10m (federal share of unliquidated obligations).
	Line 10p (unobligated balance of federal funds) should equal line 10o (total federal funds authorized for this funding period) minus line 10n (total federal share).
	Line 10t should equal the sum of lines 10q (disbursed program income), 10r (disbursed program income using the addition alternate), and line 10s (undisbursed program income).
	Line 11d (total amount of indirect expense) should equal line 11b (indirect expense rate) multiplied by line 11c (indirect expense base).

ACTION: R TABLEID: OBLH USERID: FP03

\*\*\* ORDERS HEADER INQUIRY TABLE \*\*\*

KEY IS TRANS CODE, ORDER NUMBER

TRANS CODE: MO	ORDER NUMBER: 1021464541	DOC TYPE:
VENDOR CODE: UNMIL	PO DATE: 03 24 04	TRANS TYPE: 01
NAME: UNITED NATIONS MISSION IN		DELIVERY DATE:
COMMENTS:		END DATE:
CONTACT:		END DATE DESC:
INSP/ACC DAYS: 00	BUYER:	COMM FLAG:
NEG PYMT DAYS: 00	TEXT TYPE:	SHIP TO:
NO OF OPTIONS: 00	PURCH METHOD:	FOB:
		SHIP VIA:
		EFFECTIVE DATE: 03 24 04
ALT PAYEE:	/	
ORDERED AMT: 245,000,000.00		RELATED GBL:
CLOSED AMT: 245,000,000.00		CLOSED DATE: 10 20 04
ACCRUED AMT: 0.00	PRINT PO: Y	LAST PRINT DATE: 09 30 04
EXPENDED AMT: 245,000,000.00		LAST CHG STATUS: A
OUTSTANDING AMT: 0.00	CONF ORDER: N	BLANKET #:
ACCEPTED AMT: 0.00	RCVR REQD: N	FINAL REC FLAG:
INVOICED AMT: 0.00	INV REQD: N	INVITATION #:
MISC REF AMT: 0.00	CONTRACT #:	
HOLDBACK AMT: 0.00	RESP PERSON:	
DISCOUNT % / DAYS: 0.000 / 00 ;	0.000 / 00 ;	0.000 / 00

ACTION: R TABLEID: OBLI USERID: FP03

\*\*\* PURCHASE ORDER ACCOUNTING LINE INQUIRY TABLE \*\*\*

KEY IS TRANS CODE, ORDER NUMBER, LINE NO

TRANS CODE: MO ORDER NUMBER: 1021464541

01-	LINE NO: 001	BFYS: 04	FUND: X1124
	DESCR: FY-04 UNMIL PAYMENTS	LAST CHANGE STATUS: A	
	BUREAU: IO	RPTG:	PO LINE AMT: 245,000,000.00
	ALLOT: 1021 /		CLOSED AMT: 245,000,000.00
	BENE ORG: 520500 /	JOB:	ACCRUED AMT: 0.00
	FUNCTN: 3571	BOC/SUB: 4132	EXPENDED AMT: 245,000,000.00
	ASSOC ORDER:		HOLDBACK AMT: 0.00
	CLOSED BFYS:	CLOSED FUND:	OUTSTANDING AMT: 0.00
02-	LINE NO:	BFYS:	FUND:
	DESCR:	LAST CHANGE STATUS:	
	BUREAU:	RPTG:	PO LINE AMT:
	ALLOT:		CLOSED AMT:
	BENE ORG:	JOB:	ACCRUED AMT:
	FUNCTN:	BOC/SUB:	EXPENDED AMT:
	ASSOC ORDER:		HOLDBACK AMT:
	CLOSED BFYS:	CLOSED FUND:	OUTSTANDING AMT:

02-\*L009 HEADER CHANGE

## **PMS**

To access the close out report in PMS, you would choose the reports section from the main page and further choose the on line reports section.

### **Document Summary Report**

- Does the recipient name match the award, amendment, CFMS report?
- Do the amounts reflected in the Authorized, Disbursed (reported on the SF 272) and Advances match?
- Is the "RS" indicator "A (active) or I (Inactive) requiring the award to be closed?
- Is the "DS" indicator "O" (Open) or "C" (Closed) ?
- Does the accounting data match the award, amendment, CFMS report?

### **Closeout**

To avoid incurring charges on a completed award, you must complete the following :

- Go into the Online Authorization screen
- Enter "code 59"

## **PMS**

To access the close out report in PMS, you would choose the reports section from the main page and further choose the on line reports section.

### **Document Summary Report**

- Does the recipient name match the award, amendment, CFMS report?
- Do the amounts reflected in the Authorized, Disbursed (reported on the SF 272) and Advances match?
- Is the "RS" indicator "A (active) or I (Inactive) requiring the award to be closed?
- Is the "DS" indicator "O" (Open) or "C" (Closed) ?
- Does the accounting data match the award, amendment, CFMS report?

### **Closeout**

To avoid incurring charges on a completed award, you must complete the following :

- Go into the Online Authorization screen
- Enter "code 59"

(copy available at: <http://www.dpm.psc.gov/>)



\*\*\*\*\*Organization Name\*\*\*\*\*  
 \*\*\*\*\*EIN\*\*\*\*\*  
 ACCT\*\* PIN\*\*  
 A8388P1 A8388 ~~XXXXXXXXXXXX~~  
 HHS-REG: 03 STATE: MD PMT: ~~XXXXXXXXXXXX~~  
 AGY\* \*\*\*\*\*GRANT\*\*\*\*\*  
 \*\*\*\*\*EIN\*\*\*\*\*  
 R SPMHDP03GR026  
 1311776884A1

UP: F81J USER: VNK8TJUT  
 \*\*\*CHG-ADV\*\*\* RPT DISB\* RS DS RI CT  
 \*\*SNAPSHOT CHR\*\*\* SUBACT\*\*\*\*\*  
 → 532,000.00 03/31/2005 A O N 1  
 532,000.00 1039300061

# **PAYMENT MANAGEMENT SYSTEM** **ON-LINE HELP**

GLOSSARY

INDEX

EXIT HELP

## ADHOC INQUIRIES

(DOC) - Document Summary of Authorization,  
Disbursements and Charged-Advanced Amount

and

(DOC-E) - Document Summary of Authorization,  
Disbursements and Charged-Advanced Amount Extended

This is a grant award report. This INQUIRY report displays authorization, disbursement, and charged advance data for either an individual grant document or for all grants posted to a specific Payee Account Number. The DOC inquiry report is summarized, whereas, the DOC-E inquiry report is detailed. In addition, a brief summary (Brief ) is included in the data output.

## INPUT SCREEN

### REQUIRED PARAMETER(S)

At least one of the following parameters is required to perform this inquiry:

- Payee Identification Number (PIN)
- Payee Account Number (PAN)
- Entity Identification Number (EIN)
- New Agency Code
- Old Agency Code
- Core grant document number
- Subaccount Number

## FILTERS

INQUIRY - ADHOC INQUIRY

The following filters can be used to narrow your search:

- Grant document, prefix, extension, or suffix
- Fiscal Year
- Common Accounting Number (CAN)
- Object Class
- Disbursements greater than authorization (D>A)
- Charging greater than authorization (C>A)
- Document Status

OUTPUT SCREEN

<b>AGY</b>	A new seven (7) digit code to identify the awarding agency.											
	<table border="1"><thead><tr><th>POSITION</th><th>DESCRIPTION</th></tr></thead><tbody><tr><td>1</td><td>Awarding agency type</td></tr><tr><td>2-3</td><td>Awarding agency parent</td></tr><tr><td>4-5</td><td>Awarding body</td></tr><tr><td>6-7</td><td>Awarding body subdivision</td></tr></tbody></table>	POSITION	DESCRIPTION	1	Awarding agency type	2-3	Awarding agency parent	4-5	Awarding body	6-7	Awarding body subdivision	
POSITION	DESCRIPTION											
1	Awarding agency type											
2-3	Awarding agency parent											
4-5	Awarding body											
6-7	Awarding body subdivision											
<b>GRANT</b>	Grant, contract, or award number used to obligate funds in the New Payment Management System. This number may not be the same as the subaccount code which is entered on the payment request screen and it may not be the same obligation number as it appears on your grant award document.  The grant number consists of four parts: prefix, core, extension and suffix. The typical grant number consists of the 10 character core only. If so, then enter core grant number in the second longest box on the screen. Not all agencies use the prefix (1 character), extension (2 characters) and suffix (7 characters).											
<b>AUTHORIZED</b>	Cumulative amount of funds obligated in the Payment Management System for a particular award.											
<b>DISBURSED</b>	Cumulative total of the Federal share of the net disbursements made against award authorizations up through the last reporting period end date. Net disbursements are defined as actual payments made to the project or program (i.e. checks, warrants, or cash payments), including the amount of advances and payments less refunds to subgrantees or subcontractors. Amounts reported should not exceed award authorizations which were in											

effect during the period. Cumulative disbursements reported by the recipient on the Federal Cash Transactions Report (PSC-272).													
CHG-ADV	Advances that are charged or allocated at the document level based on an internal algorithm. Charging is the process that DPM uses to report to Treasury the amount charged to each awarding agency appropriation via a Statement of Transactions (SF-224).												
RPT DISB	This is the quarterly report in which the recipient reported the cumulative disbursements.												
RS	Code relating to the activity status of the Federal Cash Transaction Report, Status of Federal Cash (PSC 272).												
<table><tr><th>VALUE</th><th>DESCRIPTION</th></tr><tr><td>A</td><td>Active</td></tr><tr><td>I</td><td>Inactive</td></tr><tr><td>C</td><td>Closed</td></tr></table>		VALUE	DESCRIPTION	A	Active	I	Inactive	C	Closed				
VALUE	DESCRIPTION												
A	Active												
I	Inactive												
C	Closed												
DS	Grant document status indicator identifying the status of the document and its segments:												
<table><tr><th>VALUE</th><th>DESCRIPTION</th></tr><tr><td>O</td><td>The document is OPEN and subject to changes to authorization and the posting of disbursements and advances. No closing T/C (i.e., 059) has been posted</td></tr><tr><td>P</td><td>The document is PARTIALLY CLOSED. The awarding agency has submitted the closing transaction; however, there is a discrepancy between the authorized and disbursed amounts. The difference must be reconciled before the document can be fully closed.</td></tr><tr><td>E</td><td>The document is PARTIALLY CLOSED. The awarding agency has submitted the closing transaction and the authorized and disbursed amounts agree; however, there is a difference between the authorized, disbursed, and the charged amounts. If the recipient has multiple documents, this difference may be reconciled after the charging process is run.</td></tr><tr><td>X</td><td>The document was previously closed but was REOPENED. It will close during the next quarterly PSC 272 process.</td></tr><tr><td>C</td><td>The document has been fully CLOSED in PMS. All three funding levels agree and the document will be deleted from the recipient's report after the next quarterly PSC 272 process.</td></tr></table>		VALUE	DESCRIPTION	O	The document is OPEN and subject to changes to authorization and the posting of disbursements and advances. No closing T/C (i.e., 059) has been posted	P	The document is PARTIALLY CLOSED. The awarding agency has submitted the closing transaction; however, there is a discrepancy between the authorized and disbursed amounts. The difference must be reconciled before the document can be fully closed.	E	The document is PARTIALLY CLOSED. The awarding agency has submitted the closing transaction and the authorized and disbursed amounts agree; however, there is a difference between the authorized, disbursed, and the charged amounts. If the recipient has multiple documents, this difference may be reconciled after the charging process is run.	X	The document was previously closed but was REOPENED. It will close during the next quarterly PSC 272 process.	C	The document has been fully CLOSED in PMS. All three funding levels agree and the document will be deleted from the recipient's report after the next quarterly PSC 272 process.
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C	The document has been fully CLOSED in PMS. All three funding levels agree and the document will be deleted from the recipient's report after the next quarterly PSC 272 process.												
EIN	Entity Identification Number —A three-part coding scheme of twelve characters used to identify organizations and individuals. A "1" in the first position of the EIN identifies the recipient as an organization; a "2" means an individual. The next nine characters are the Internal Revenue Service tax identification number (TIN) for organizations or the social security number (SSN) for individuals. The last two characters will be "A1" thru "ZZ" for an												

## INQUIRY - ADHOC INQUIRY

	organization to identify its various components, or blanks for an individual.
<b>FUTURE AUTHORIZATION</b>	Authorization posted in the Payment Management System prior to the award begin date.
<b>SNAPSHOT DISBURSEMENTS</b>	Snapshot of disbursements at the document level.
<b>DOC SNAPSHOT CHRG</b>	Snapshot of advances that are charged or allocated at the document level based on an internal algorithm.
<b>SUBACCOUNT</b>	For HHS, a 2-10 digit code designation of a major program within a payee account (PAN) (e.g., MT [Medicaid Training and Administration] and LIEA [Low Income Energy Assistance]). For non-HHS, the 2-10 digit subaccount code may or may not be a designation of a major program within a payee account. It can also be the grant award. However, for both HHS and non-HHS recipients, PANs are subdivided into subaccounts for additional accounting and cash control purposes.
<b>REPORTING</b>	Code indicating if disbursement reporting is required at the document or fiscal year, Common Accounting Number, object class levels. A "Y" indicates that reporting is required at the fiscal year, Common Accounting Number, object class level; a "N" indicates that reporting is required at the document level.
<b>CT</b>	Number of fiscal years, Common Accounting Numbers, and object classes for a particular document.
<b>TOTAL</b>	Total amounts of the above listed authorized, disbursed, charged advances, future authorization, snapshot disbursements, and snapshot charging.
<b>OPEN &amp; CLOSED</b>	Total amount of authorization, disbursements, and charged advances, at the account level (PAN), for all open and closed award documents.
<b>OPEN</b>	Total amount of authorization, disbursements, and charged advances, at the account level (PAN), for all open award documents.
<b>CLOSED</b>	Total amount of authorization, disbursements, and charged advances, at the account level (PAN), for all closed award documents.



# On-Line Authorization



Fiscal Year:

Issue Date:

Award Number:

Document Reference:

Awarding Agency ID:

Object Class:

Old Agency Code:

CAN:

OR

Old Agency Code:

Transaction Code:

Reverse Code:

Modifier Code:

Budget Start Date:

Budget End Date:

Incremental Amount:

EIN:

DUNS:

Special Report Code: ☒ No ☐ Yes

Federal Government: ☐ Yes ☒ No

Submit

Clear

Cancel

# ON-LINE AUTH (Expanded) TRANSACTION SCREEN - Dept of State

## ISSUE DATE

"MM/DD/YYYY"; date of grant or date data is entered

## AWARD NUMBER (Document Number)

10 to 20 alphanumeric Award Number assigned by awarding agency; minimum 10 characters

- 1) Grant Number: Use A/OPE format Number; e.g. SECAPE02GRXXX
- 2) Cooperative Agreement Number: Use A/OPE format Number; e.g. SECAPE02CAXXX

## DOCUMENT REFERENCE

3 digit alphanumeric assigned by agency

## FISCAL YEAR

"YYYY"; 4 digit numeric fiscal year from which grant funds are issued

## AWARDING AGENCY ID

Leave blank

## OLD AGENCY CODE

3 digit alphanumeric code assigned by DPM/HHS which identifies the awarding agency/bureau  
See attachment for your Bureau's code

## CAN

4 digit alphanumeric funding source assigned by the awarding agency

## OBJECT CLASS

4 digit alphanumeric assigned by agency

## TRANSACTION CODE

"050" for initial, amendment or follow-on transactions

"059" to close grant (do not use 055 or 056)

## REVERSE CODE

Default "1"; "1-Normal" if Incremental Amount is positive; "2-Reverse" if Incremental Amount is negative

## MODIFIER

"3" for initial obligation; "5" for follow-on transactions or amendments

## BUDGET START DATE

"MM/DD/YYYY" date grant becomes effective

## (Recipinet) EIN

12 digit alphanumeric identifier assigned by DPM/HHS during the registration process

## BUDGET PERIOD END

"MM/DD/YYYY"; date grant period ends

## INCREMENTAL AMOUNT

Total authorized/obligated amount of this transaction. If decimal is entered, it MUST be followed by two numbers. If no decimal is entered, then whole dollars are assumed.

## SPECIAL REPORT CODE

Default "N"; indicates if PSC-272 is at document/grant level or fco level

## FEDERAL GOVERNMENT

Default "N"; indicates if grant is for a federal agency or not

## Overview of State Grant Making

Bureau	Grants Missions
PRM	<ul style="list-style-type: none"> <li>PRM has primary responsibility for formulating policies on population, refugees, and migration, and for administering U.S. refugee assistance and admissions programs.</li> </ul>
ECA	<ul style="list-style-type: none"> <li>To improve international relations of the U.S. by promoting better mutual understanding among the peoples of the world. Activities supported include: <ul style="list-style-type: none"> <li>Fulbright Student Program</li> <li>Fulbright Senior Scholar Program</li> <li>Fulbright Teacher and Administrator Program</li> <li>U.S. Institutes/American Studies Institutes</li> <li>H.H. Humphrey Fellowship Program</li> </ul> </li> <li>Grants programs are competitive with unique congressional committee interfaces.</li> <li>High volume low dollar large variety of visitor and speaker programs, as well as educational/teaching grants.</li> </ul>
AQM	<ul style="list-style-type: none"> <li>AQM issues grants for the following Bureaus and many overseas posts. , DRL, OES, and INR and G/TIP</li> </ul>
DRL	<ul style="list-style-type: none"> <li>DRL's Human Rights and Democracy Fund (HRDF), which is DRL's allocation of the Economic Support Fund (ESF), is used to fulfill the Bureau's mandate to monitor and promote human rights and democracy worldwide.</li> <li>HRDF supports innovative programming designed to uphold democratic principles, support democratic institutions, promote human rights, and build civil society in countries and regions of the world that are geo-strategically critical to the U.S.</li> <li>Mostly competitive via AQM</li> </ul>
G/TIP	<ul style="list-style-type: none"> <li>Assistance to foreign countries and international organizations to help them develop and implement legislation, policies, and programs to combat trafficking in persons, including the areas of sex and labor exploitation.</li> <li>Mostly competitive via AQM and the posts</li> </ul>
INR	<ul style="list-style-type: none"> <li>Title VIII Program - Program for Study of Eastern Europe and the Independent States of the Former Soviet Union. Strengthen US expertise on subject states by supporting graduate training, advanced research, public dissemination of research data, methods, and findings; contact and collaboration among government and private specialists.</li> </ul>
A/OPR/OS	<ul style="list-style-type: none"> <li>Assistance is given to schools abroad to enable them to promote</li> </ul>

## Overview of State Grant Making

	<p>quality educational opportunities at elementary and secondary school levels for dependents of U.S. citizens carrying out programs of the U.S. Government abroad.</p> <ul style="list-style-type: none"> <li>• Programs also increase mutual understanding between people of the U.S. and other countries by upgrading educational institutions that serve to demonstrate American educational practices.</li> <li>• Primarily Non-competitive</li> </ul>
PM/WRA	<ul style="list-style-type: none"> <li>• Demining and weapons destruction</li> <li>• Mostly low volume, high dollar, competitive grants</li> </ul>
INL	<ul style="list-style-type: none"> <li>• Assistance to foreign countries and international organizations to help them develop and implement policies and programs that strengthen institutional counter-narcotics law enforcement and judicial capabilities to control illegal narcotics production, processing and trafficking.</li> </ul>
DS	<ul style="list-style-type: none"> <li>• Cooperative agreement with Louisiana State University to provide training instructors, curriculum development and facilities for foreign police officials for anti-terrorism training.</li> <li>• Mostly sole source</li> <li>• Major spend is with LSU and a recompetes is in process</li> </ul>
EB/CIP	<ul style="list-style-type: none"> <li>• Telecom Leadership Program – Supports policy and regulatory reforms required for increased investment and establishment of competitive telecommunications markets; builds capacity of regulatory and technical institutions in developing countries.</li> </ul>
EAP	<p>Primarily PD grants PEPFAR in Africa, MEPI in NEA and some counter-terrorism.</p> <p style="text-align: center;">Average Post Manages 50-200 grants</p> <p style="text-align: center;">The length of average grant is &lt; 1 year at post</p> <p style="text-align: center;">The length of average grant is 1 to 5 years domestically</p>
NEA	
AF	
EUR	
WHA	
SA	

# Grants Database Management System

## List of Totals for FY2005

Bureau	Award Instrument	Total Assistance Actions	Total \$ Awarded	Average	Dom, Overseas, or Both
<b>Population, Refugees and Migration</b>					
	Assessed Contribution	1	\$8,332,132		Both
	Cooperative Agreement	175	\$163,432,957		
	Grant	11	\$55,434,961		
	Voluntary Contribution	59	\$730,611,398		
	<b>Bureau Totals:</b>	<b>246</b>	<b>\$957,811,448</b>	<b>\$3,893,542</b>	
<b>Educational and Cultural Affairs</b>					
	Cooperative Agreement	91	\$132,101,741		Domestic
	Grant	215	\$142,666,505		
	<b>Bureau Totals:</b>	<b>306</b>	<b>\$274,768,246</b>	<b>\$897,935</b>	
<b>Administration</b>					
	Assessed Contribution	1	\$654,987		Both
	Cooperative Agreement	9	\$5,016,246		
	Grant	475	\$161,244,082		
	Voluntary Contribution	1	\$0		
	<b>Bureau Totals:</b>	<b>486</b>	<b>\$166,915,315</b>	<b>\$343,447</b>	
<b>Political and Military Affairs</b>					
	Grant	34	\$31,110,676		Both
	<b>Bureau Totals:</b>	<b>34</b>	<b>\$31,110,676</b>	<b>\$915,020</b>	
<b>International Narcotics and Law Enforcement</b>					
	Cooperative Agreement	12	\$15,591,540		Both
	Grant	27	\$8,840,206		
	<b>Bureau Totals:</b>	<b>39</b>	<b>\$24,431,746</b>	<b>\$626,455</b>	
<b>European Affairs</b>					
	Cooperative Agreement	57	\$444,988		Overseas
	Grant	4,168	\$23,228,207		
	Voluntary Contribution	1	\$7,101		
	<b>Bureau Totals:</b>	<b>4,226</b>	<b>\$23,680,296</b>	<b>\$5,603</b>	
<b>Diplomatic Security</b>					
	Cooperative Agreement	10	\$19,657,814		Domestic
	Grant	1	\$16,854		
	<b>Bureau Totals:</b>	<b>11</b>	<b>\$19,674,668</b>	<b>\$1,788,606</b>	
<b>African Affairs</b>					
	Assessed Contribution	3	\$388		Overseas



# Grants Database Management System

## List of Totals for FY2005

Bureau	Award Instrument	Total Assistance Actions	Total \$ Awarded	Average	Dom, Overseas, or Both
	Cooperative Agreement	52	\$5,171,288		
	Grant	1,379	\$7,304,126		
	Voluntary Contribution	1	\$5,555		
	<b>Bureau Totals:</b>	<b>1,435</b>	<b>\$12,481,357</b>	<b>\$8,698</b>	
<b>Near Eastern Affairs</b>					
	Cooperative Agreement	2	\$55,505		Overseas
	Grant	559	\$8,354,637		
	<b>Bureau Totals:</b>	<b>561</b>	<b>\$8,410,142</b>	<b>\$14,991</b>	
<b>Western Hemisphere Affairs</b>					
	Cooperative Agreement	11	\$97,066		Overseas
	Grant	1,507	\$5,987,650		
	Voluntary Contribution	2	\$1,545		
	<b>Bureau Totals:</b>	<b>1,520</b>	<b>\$6,086,261</b>	<b>\$4,004</b>	
<b>East Asian and Pacific Affairs</b>					
	Cooperative Agreement	29	\$216,265		Overseas
	Grant	1,165	\$5,731,950		
	<b>Bureau Totals:</b>	<b>1,194</b>	<b>\$5,948,215</b>	<b>\$4,982</b>	
<b>South Asian Affairs</b>					
	Cooperative Agreement	1	\$440		Overseas
	Grant	459	\$5,283,282		
	<b>Bureau Totals:</b>	<b>460</b>	<b>\$5,283,722</b>	<b>\$11,486</b>	
<b>South and Central Asian Affairs</b>					
	Grant	345	\$2,625,677		Overseas
	<b>Bureau Totals:</b>	<b>345</b>	<b>\$2,625,677</b>	<b>\$7,611</b>	
<b>Economic and Business Affairs</b>					
	Grant	2	\$52,812		Domestic
	<b>Bureau Totals:</b>	<b>2</b>	<b>\$52,812</b>	<b>\$26,406</b>	
<b>Grand Totals</b>					
<b>Domestic Totals:</b>		<b>1,124</b>	<b>\$1,474,764,912</b>	<b>\$1,312,068</b>	
<b>Overseas Totals:</b>		<b>9,741</b>	<b>\$64,515,670</b>	<b>\$6,623</b>	
<b>Grand Totals:</b>		<b>10,865</b>	<b>\$1,539,280,582</b>	<b>\$141,673</b>	

# GRANTS QUARTERLY MEETING

Wednesday, August 9, 2006

## AGENDA ITEMS

- **WELCOME**  
*Georgia Hubert, Director of Federal Assistance,  
Office of Procurement Executive (A/OPE)*
- **OGFM UPDATE**  
*Cathy Chikes, Director  
Office of Grants Financial Management (RM/OGFM)*
- **JOINT ASSISTANCE MANAGEMENT (JAMS) UPDATE**
- **GRANT CLOSEOUTS**  
*Sherril Hyson, Senior Budget Analyst  
Office of Grants Financial Management (RM/OGFM)*
- **FISCAL YEAR END TIPS**

## A/OPE Federal Assistance Division

Internet: <http://www.statebuy.state.gov/grants/gtpolicy.htm>

Intranet: <http://aope.a.state.gov/grants/grants2.htm>

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Office of the Procurement Executive  
SA-6, Suite 603

July 19, 2006

MEMORANDUM

TO: Federal Assistance Offices

AF/PD: L. W. Koengeter  
EAP/PD: Thomas Skipper  
EUR/PPD: Vivian Walker  
NEA/PPD: Robin A. Smith  
SA/PD: Larry Schwartz  
WHA/PD: Mary Deane Conners

A/LM/AQM: Cathy Read  
A/OPR/OS: Keith Miller  
DS/ASD/CAP: Tammy Journet  
EB: Daniel Clune  
ECA-IIP/EX: Sheldon Yuspeh  
IIP-ECA/EX: Katherine Yemelyanov  
INL/G/TIP: Jane Sigmon  
INL/RM/MS: Tim Henderson  
IO/EX: Thomas Tiernan  
NEA/PI: James Bean  
PM/WRA: Dennis Hadrick  
PRM/C: Fay Ropella

FROM: A/OPE – Corey Rindner  
Procurement Executive

RE: FY06 Federal Assistance actions reported in the Grant Database Management System (GDMS)

1. Reporting Requirement and Due Date

All domestic offices and posts that award federal assistance funds in any form must report those actions in the Grant Database Management System (GDMS). As of September 30, 2006, all FY06 actions must be entered into GDMS. These actions include all forms of federal assistance such as: grants and cooperative agreements (organizations, governments, individuals); contributions (voluntary, assessed, and pass-through);

letters of agreement; memorandums of understanding, special ambassador programs, democracy commission funds; donations of property; and any other forms of federal assistance. Any additional funding amendments must also be entered, even if they were for agreements issued prior to FY06.

Beginning in FY07, GDMS actions are required to be entered as the awards are issued, not at the end of the fiscal year. This will spread out the reporting workload and provide a continuous analysis capability throughout the year.

## 2. Who Must Report GDMS Actions?

GDMS actions must be submitted by all offices with warranted grants officers and offices that award federal assistance funds in any form. A/LM/AQM enters actions for domestic grants and cooperative agreements signed by A/LM/AQM; however, any actions that A/LM/AQM issues for posts will need to be entered by post with a post award number assigned. There should be no actions reported that were signed on behalf of other agencies. If other agencies request signature by Department grants officers, then funds should be transferred to the Department and issued under post award numbers.

## 3. Grant Database Management System (GDMS)

GDMS is an internet-based system accessed from A/OPE's main webpage (<https://opeserver.induscorp.com/jsp/GrantLogin.jsp>)

GDMS provides a user-friendly reporting capability and allows users to enter grant information directly into A/OPE's database. Each office must have an office specific password in order to access the GDMS and enter data. Contact us at [grants@induscorp.com](mailto:grants@induscorp.com) if you need assistance. The password may be shared with appropriate staff in order to enter assistance actions.

## 4. Questions and Assistance

Grant Policy Directive 21 explains GDMS. Please contact Mary Tutman (703-516-1686) or [Tutmanme@state.gov](mailto:Tutmanme@state.gov) if you have questions on reporting requirements. For assistance with the GDMS system, please e-mail our help desk at: [grants@induscorp.com](mailto:grants@induscorp.com). Please include your office symbol, email address and telephone number since our GDMS Operations Specialist is not on the DOS email. Thank you for continuing to support the federal assistance reporting process.